

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT by and between **LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT** of the Commonwealth of Kentucky (the "Louisville Metro", and **LOUISVILLE GAS AND ELECTRIC COMPANY**, a Kentucky corporation having a business address of 220 West Main Street, Louisville, Kentucky 40232 (the "Company"):

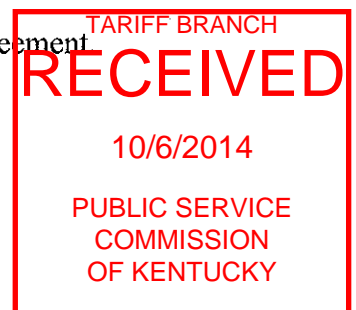
WHEREAS, Metro Council passed Ordinance No. 092, Series 2014, to create a franchise for the transmission, distribution and sale of gas; and

WHEREAS, the Company submitted its bid for said franchise which bid has been determined to be the highest and best bid; and

WHEREAS, Metro Council passed Ordinance 092, Series 2014 accepting the bid of the Company;

NOW, THEREFORE, for good and valuable consideration, the parties hereto, agree as follows:

Section 1. There is hereby created a franchise to acquire, lay, maintain and operate in the public streets, avenues, alleys and other public ways of Louisville Metro, but not within the jurisdiction of any other city located in Jefferson County, Kentucky (the "Franchise Area"), a system of mains, pipes, fixtures and appliances for the transmission, distribution and sale of gas for heating and other purposes, subject to all the provisions of this Franchise Agreement.



Section 2. The Company shall have the right and privilege of laying and maintaining gas mains and pipes, and appurtenances necessary or appropriate in connection therewith, in, along, under and across (but not above) the said streets, and transmit, distribute and sell gas through said pipes, within the jurisdiction of Louisville Metro as they now exist or may hereafter be extended; subject to the provisions hereof, Louisville Metro regulations or laws on the use of the right of way by utilities, and to all powers (including police power) inherent in, conferred upon or reserved to said Louisville Metro.

Section 3. No pavements or sidewalks shall be disturbed and no excavation in any of the said streets will be made, except in accordance with the Louisville Metro's regulations and laws on the use of the right of way and with the written permission of the Director of Public Works and under his supervision, and such mains, pipes and appurtenances shall be located in such portion of said streets as may be designated by the Director of Public Works, using alleys as far as reasonably feasible, provided that such pavements and sidewalks and excavations shall be replaced and restored by and at the expense of the Company to Louisville Metro standards or prior condition, as required by the Director of Public Works. All such replacements shall be maintained by Company for five (5) years in as good condition as the remainder of said street. Should the Company fail or refuse to replace or restore said pavement, sidewalk or excavation to Louisville Metro standards or condition as required by the Director of Public Works within a reasonable time, then same may be replaced and restored by the Louisville Metro under the direction of the Director of Public Works at the cost and expense of the Company. Work by the Company hereunder shall be done in a workmanlike manner and so as not to unnecessarily interfere with public use of any of said streets.



Section 4. Whenever the Louisville Metro or any of its departments or agencies shall grade, regrade, widen or alter any street or shall construct, reconstruct or alter any other municipal public works therein, it shall be the duty of the Company, when so ordered by the Louisville Metro, to changes its mains, pipes and appurtenances in the street at its own expense so as to conform to the established grade or line of such street and so as not to interfere with such municipal public works so constructed, reconstructed or altered. However, the Company shall not be required to make any such change when the street in which its facilities are located is vacated or when the street is altered for the convenience of abutting property owners or for private purposes and not as an incident to a public improvement, unless the reasonable cost of such relocation and the loss and expense resulting therefrom is first paid to the Company.

Section 5. The Company, its successors and assigns, shall indemnify Louisville Metro for any and all damage that may legally arise from the presence or operation of its gas pipes, mains or appliances so constructed or maintained on or along said public ways, and defend all actions which may be brought against said Louisville Metro by reason of or arising out of the construction or operation of said gas facilities.

Section 6. When requested to do so by Louisville Metro, Company shall make available to Louisville Metro copies of its regular monthly or annual statements, reports and records as to heat value and pressure of gas distributed pursuant to this franchise, and such other reports as Louisville Metro may reasonably request.

Louisville Metro reserves the right to make such tests of gas meters, pressure, specific gravity and heat value of the gas furnished by Company hereunder as it shall deem necessary or advisable.



The Company agrees further to furnish the Mayor, the Metro Council and the County Attorney for Jefferson County written notice, by certified mail, concurrent with its filing an application with the Public Service Commission for an increase in rates; and such notice shall specify amount and type of increase to be sought and alerting to Louisville Metro that such a filing is being made. The Company agrees to maintain "as-built" drawings of all facilities within the right-of-way, and to provide said drawings to the Director of Public Works, as requested.

Section 7. The Company agrees to continue to cooperate with state and local government low-income energy assistance efforts, including state and local government energy assistance programs, and further agrees to the continued operation of a voluntary customer check off system for customer contributions to energy assistance efforts, such as Winterhelp.

Section 8. If any street is about to be paved or repaved by Louisville Metro, the Company shall, on notice from the Director of Public Works, make any extensions of mains and pipes ahead of paving; provided that if Company deems it unnecessary to make such an extension, it may refrain from doing so, but shall thereafter be precluded for a period of five (5) years from disturbing such paving, and if Company makes any extensions of mains and pipes, including connections to property lines within such five-year period, same shall be made in the unpaved portion of the street and any connections to property lines shall be tunneled under such paving.

Section 9. The franchise hereby created is not exclusive and shall be of a term of sixteen months, effective sixty (60) days after: (1) the issuance by the Commission of all approvals and certificates required by law; and (2) the award of the franchise by Louisville Metro to the Company, unless terminated sooner under the terms of this Franchise Agreement.

Company is hereby given the right to assign the franchise created by this Ordinance to any person, firm or corporation able, ready and willing to carry out the terms of this franchise,



but shall, prior to such assignment, obtain consent from the Louisville Metro to such assignment, which consent shall not be unreasonably withheld.

Section 10. In the event that the Public Service Commission of Kentucky shall cease to have jurisdiction over Company's gas rates and service and no other regulatory authority shall have by law such jurisdiction over gas rates and service in Louisville Metro, then Metro Council shall have regulatory jurisdiction over Company's gas rates and service in the jurisdiction of Louisville Metro within the limits permitted by law and to the extent that the Public Service Commission of Kentucky presently has such jurisdiction; provided, however, Company shall have the right to seek redress in court by appeal or otherwise from any regulatory order or action of Metro Council on the ground that such order or action is unjust, unreasonable, unlawful or confiscatory.

If Metro Council acquires regulatory jurisdiction as aforesaid, the then existing rules and regulations of the Public Service Commission of Kentucky (or other regulatory authority having jurisdiction) and the rates, rules and regulations of the Company as contained in its filing with such Commission or other authority as to matters of rates and service, shall continue in effect unless and until changed, after hearing, by final order of Metro Council or of court, or unless and until changed by agreement between Louisville Metro and the Company.

In the event that the provision of gas service is deregulated by state legislation, then this franchise may be terminated upon ninety (90) days written notice by Louisville Metro to the Company if it is determined by Louisville Metro that continuation of the franchise would be unfair and unreasonable to Louisville Metro or to the customers of the utility, or upon the agreement between Louisville Metro and the Company.



Section 11. Franchise Fees. As compensation for the Franchise granted to the Company, Louisville Metro shall receive payment of a total annual fee of two (2) percent of Gross Receipts, to be collected beginning with bills rendered for the December 2014 billing cycle, and remitted monthly thereafter.

Payment of any amount due under this Franchise shall be made on a monthly basis within thirty (30) days of the end of the preceding calendar month.

The Company shall have the right to a refund from Louisville Metro of any fees paid pursuant to this section which are paid in excess of the amount due under this Franchise or are paid in excess of the amount lawfully owed. Any refund amount due to the Company shall be paid within ten (10) days following written notice to Louisville Metro by the Company.

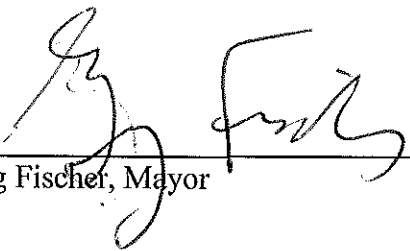
As further consideration for the granting of this Franchise, the Company agrees to pay all publication costs Louisville Metro incurs in the granting of this Franchise. The above-mentioned costs shall be invoiced by Louisville Metro to the Company and the Company shall pay said costs within thirty (30) days of receipt of said invoice. Gross Receipts means those amounts of money which the Company receives from its customers for the retail sale and/or transportation of gas within the Franchise Area under rates, temporary or permanent, authorized by the Kentucky Public Service Commission (the "Commission") and represents amounts billed under such rates as adjusted for refunds, the net write-off of uncollectible accounts, corrections or other regulatory adjustments. Gross Receipts do not include home energy assistance funds ("HEA") or miscellaneous service charges, including but not limited to turn-ons, meter sets, non-sufficient fund charges, late fees and interest, which are related to but are not a part of the actual retail sale of gas.



Section 12. In case the Company shall fail within thirty (30) days after this bid shall have been accepted to comply with the provisions of this Ordinance, the Director of Public Works shall again advertise such franchise for sale in the manner in which the first sale was made and shall again sell said franchise in the same manner, and upon the same conditions and requirements in all respects as the original sale of said franchise was made, and in case the successful bidder at such sale shall fail or refuse to comply with the terms of said sale within the time prescribed, then the Director of Public Works may again advertise such franchise for sale in the manner prescribed herein and may continue to do so until said franchise is purchased by some bidder who shall comply with the terms of said sale.

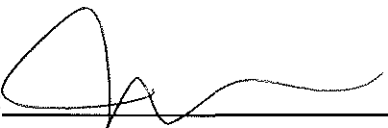
IN WITNESS WHEREOF, the Parties have executed this Franchise Agreement this
1 ^{October} day of June, 2014.

**LOUISVILLE/JEFFERSON
COUNTY METRO GOVERNMENT**



Greg Fischer, Mayor

**LOUISVILLE GAS AND
ELECTRIC COMPANY**

By: 

Its: John P. Malloy
VP Customer Services

an

TARIFF BRANCH
RECEIVED
10/6/2014
PUBLIC SERVICE
COMMISSION
OF KENTUCKY